



# **FY2020-21 BUDGET STUDY SESSION**

## **CITY MANAGER'S PROPOSED OPERATING & CAPITAL BUDGET**

**CITY COUNCIL  
BUDGET STUDY SESSION**

Jovan D. Grogan, City Manager  
Keith DeMartini, Finance Director

May 26, 2020

# Tonight's Agenda



- I. Budget Development Process
- II. Fiscal Context
- III. FY2020-21 Proposed General Fund Budget & Deficit Reduction Strategies
- IV. High-level Fiscal Condition Summary and General Fund Detail
- V. General Fund Financial Summary
- VI. General Fund Revenues
- VII. Revenue Enhancement Strategies
- VIII. Questions & Discussion

# Today's Objectives



- ❖ Receive the City Manager's Proposed Operating and Capital Budget for Fiscal Year 2020-21
- ❖ Discuss Pressures and Challenges Facing the City's General Fund
- ❖ Discuss Proposed Deficit Reduction Strategies
- ❖ Ask questions!



# I. Budget Development Process

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# Organizational Mission, Vision & Values



## **Mission Statement**

The City of San Bruno exists to provide exemplary services for our community that enhance and protect the quality of life.

## **Vision for the Future**

San Bruno will be the Peninsula City of choice in which to live, learn, work, shop and play.

## **Values**

The City of San Bruno values:

- ❖ Integrity;
- ❖ Protecting, guarding and shepherding public resources and interests;
- ❖ Teamwork;
- ❖ Exemplary service to the community;
- ❖ Competent, well-trained employees;
- ❖ Friendliness; and
- ❖ Commitment to the community.

# City Council Priority Focus Areas

(not in any order of preference)



- ❖ Implement Transit Corridor Vision to Revitalize Downtown and Commercial Corridor
- ❖ Assure Rehabilitation & Replacement of Critical Community Facilities and Infrastructure
- ❖ Grow City Revenues to Assure On-Going Fiscal Stability and Economic Vitality
- ❖ Continue to Strengthen Community Connections and Engagement
- ❖ Protect and Improve Community Aesthetics and Safety
- ❖ Continue Proactive Planning for the Future of San Bruno
- ❖ Organizational Health and Employee Success

# Budgetary Process and Administration



- Each May the City Manager submits to the City Council a proposed operating and capital budget for the following fiscal year
- Public meetings are conducted to obtain public comments
- Budgets are adopted by City Council in June, and the new budget takes effect on July 1<sup>st</sup>
- Expenditures may not legally exceed budgeted appropriations
- Quarterly and Mid-year reviews of an adopted budget are conducted annually

# FY2020-21 City Manager Budget Instructions



- Status-Quo Budget, with minimal enhancements
  - Strive to maintain operational budgets at current levels
  - Zero-based budget for contract services, tools and equipment, dues and memberships, publications and subscriptions, and meetings and conferences
  - Limit increases to items necessary to maintain current operational levels
  - General Fund reserve accounts to be funded to policy target, but reduced available cash due to CityNet loan
  - Any additional budget enhancement proposals must align to a City Council Priority Focus Area



# High-level Budget / Prior Setting Calendar



Date	Item
January 21	City Manager's Budget Instructions Provided to Departments
February 22	City Council Annual Retreat
April 21	Budget priorities, performance goals and strategic initiatives to City Council
April 24	Draft FY2020-21 department and CIP budget – Review with City Manager & Finance
May 8	City Council Discussion of Priority Focus Areas and Review of Prior Year Strategic Initiatives
May 21	City Manager's Recommended Budget to City Council

# City Council Budget Deliberation Dates



Date	Description	Meeting Start Time
May 26	Study Session: <b>Presentation of Proposed Budget</b>	7:00pm
May 27	Study Session: <b>Budget Retreat</b> <ul style="list-style-type: none"> <li><i>Departmental Budget Presentations</i></li> <li><i>Review of Enterprise, Internal Service Funds and Other Special Funds</i></li> </ul>	10:00am
June 4	Study Session: <b>City Council Strategic Initiatives</b>	6:00pm
June 9	Budget Hearing: <b>1<sup>st</sup> Budget Hearing</b> <ul style="list-style-type: none"> <li><i>Response to Council Questions</i></li> </ul>	7:00pm
June 11	Study Session: <b>Capital Improvement Program</b> <ul style="list-style-type: none"> <li><i>Discuss Projects and Unfunded Needs for Streets, Water, Sewer, Storm Water, &amp; General Facilities</i></li> </ul>	2:00pm
June 23	Budget Hearing: <b>2<sup>nd</sup> Budget Hearing &amp; Adoption</b>	7:00pm



## II. Fiscal Context

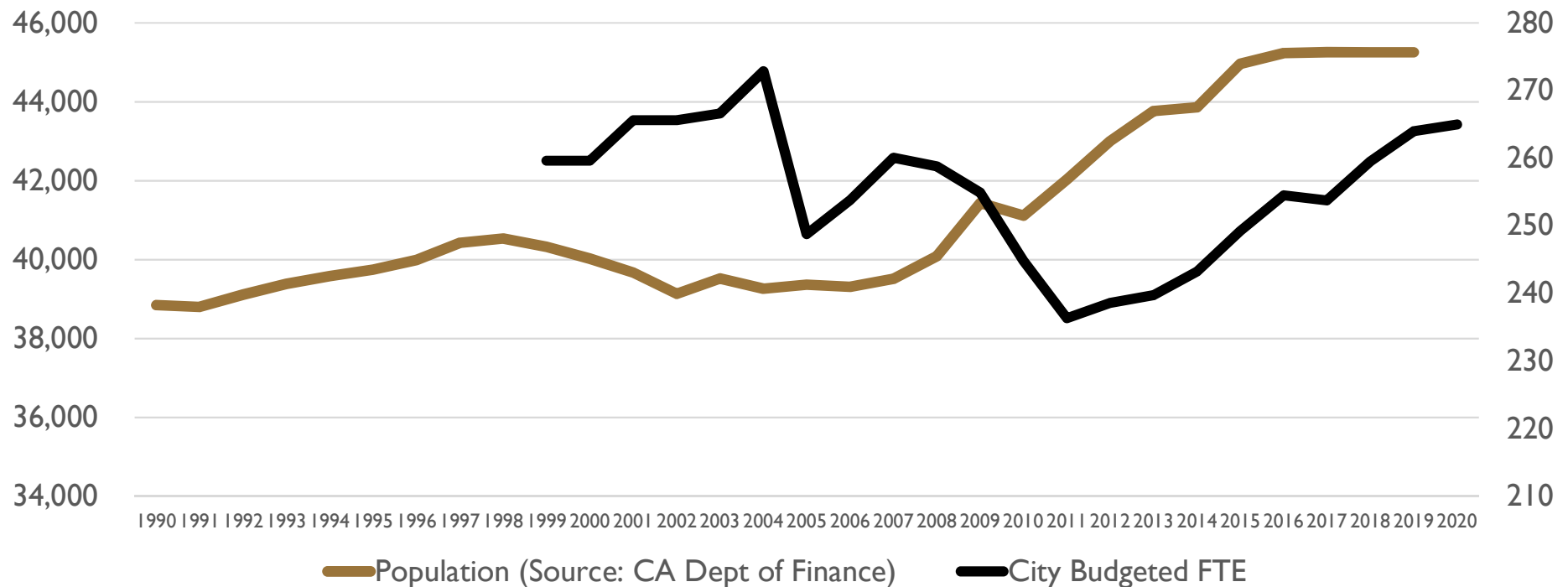
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# Population & City Staffing

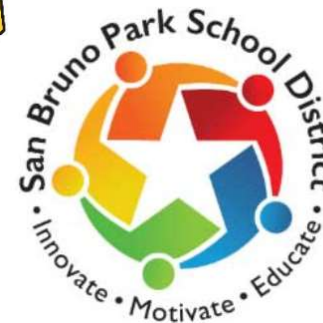
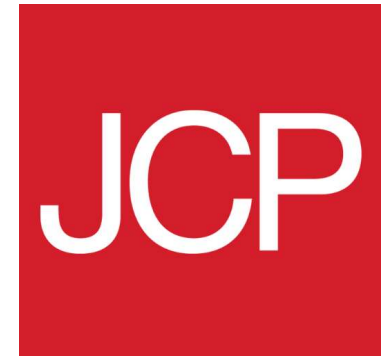


- San Bruno's population growth has exceeded City staffing levels

San Bruno Population compared to  
City Budget Full-Time Equivalent (FTE) Count  
Population Growth from 1999 to 2020 (12.2%)  
City Budgeted FTE Growth from 1999 to 2020 (2.1%)



# Principal Employers in San Bruno



# Top Sales Tax Generators



- Top 25 sales tax generators in San Bruno *(alphabetical order)*
- Recent Trends
  - Reduced activity in Q4 related to shelter-in-place orders
  - No Sears activity in last quarter of FY2019-20 and all of FY2020-21
  - Slow ramp up of sales tax activity throughout FY2020-19
  - Average yearly sales tax projected reduction of 18% in FY2020-21

76
Best Buy
BJ's Restaurant & Bar
Chevron
Crestmoor Auto Center
CVS Pharmacy
<b>Fair - Uber Car Rental</b>
Honda Lease Trust
Jack's Restaurant & Bar
<b>JC Penny</b>
Kwik Serv
Lowes
Lucky
Marshalls
Melody Toyota
RMC Motorcars
S&L Gem Company
San Bruno Gas
<b>Sears</b>
Shell Station
Shoe Palace
Tanforan Shell
Target
Valero
Victory Honda

# FY2020-21 Revenue Shortfalls



Projected General Fund Deficit (\$8.2M)

*Deficit Represents 15% of Proposed Expenditures*

## Impacts of COVID-19 Recession

- ❖ 40% drop in Hotel Tax (TOT) Revenue
- ❖ 18% drop in Sales Tax Revenue
- ❖ 28% drop in new District “Measure G” Sales Tax Revenue
- ❖ 52% drop in Recreation revenues
- ❖ 28% drop in Senior Center revenues

# Fiscal Condition Summary



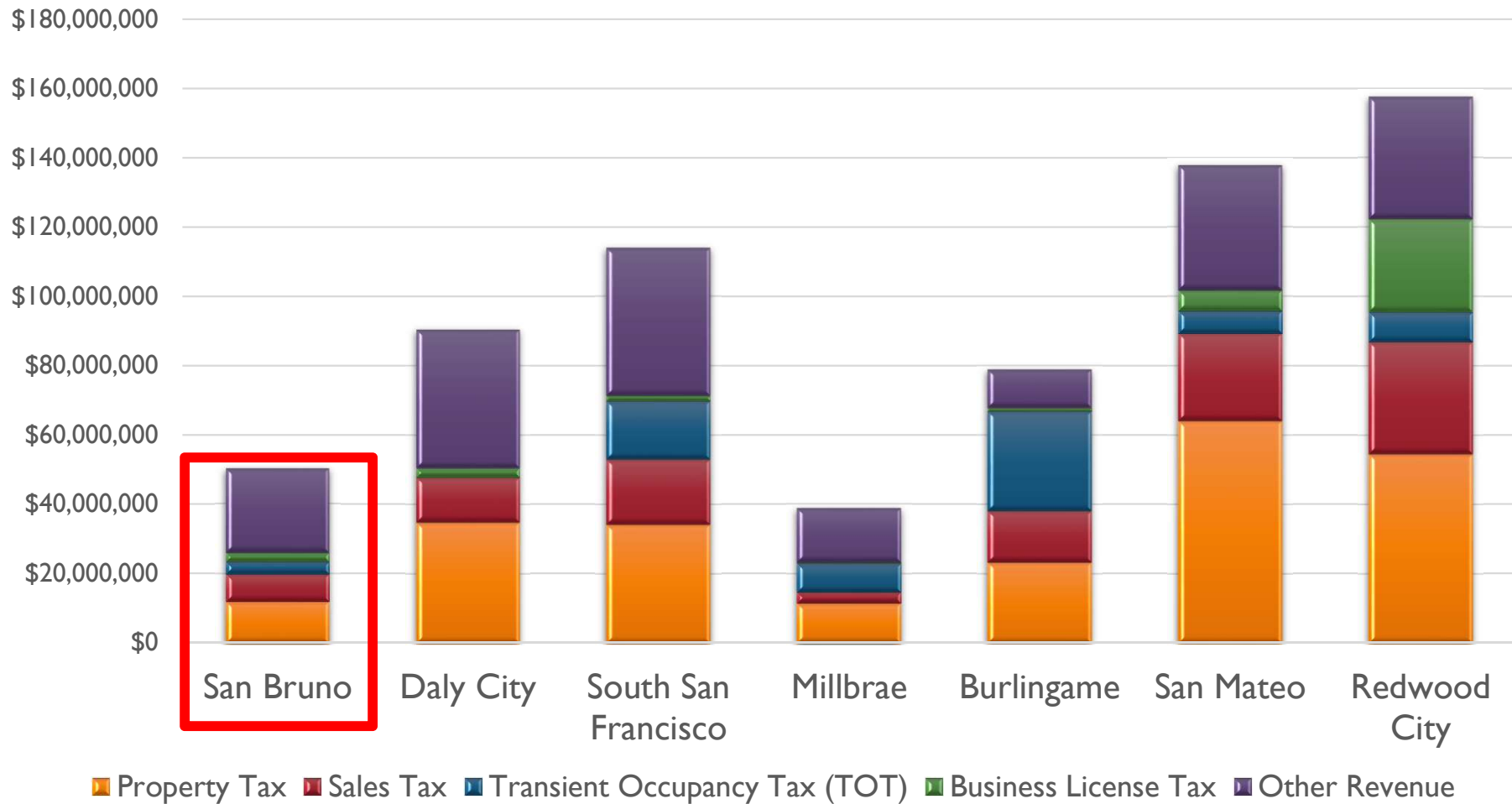
- ❖ **General Fund** – Significant projected deficit and progress needed to achieve fiscal sustainability.
- ❖ **Stormwater** – Prolonged deficits projected without additional support from the General Fund or additional parcel fees.
- ❖ **Vehicle, Equipment, Technology Replace Funds** – Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **Self-Insurance Fund** – Enhanced reserves needed.
- ❖ **Facilities & Building Reserve Fund** – Significant unmet needs. Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **CityNet Services** – Substantial progress this year, but long-term viability contingent of Fiber-to-the-Home project. Owes General Fund \$14M.
- ❖ **General Fund Reserve** – Limited available cash.
- ❖ **Water Fund** – Stable and sustainable.
- ❖ **Wastewater Fund** – Stable and sustainable.
- ❖ **Measure G** – New voter approved sale tax measure to provide \$4M annually pre-COVID-19 (\$2.9M projected in FY20-21).



# General Fund Budget Comparison



Fiscal Year 2019-20

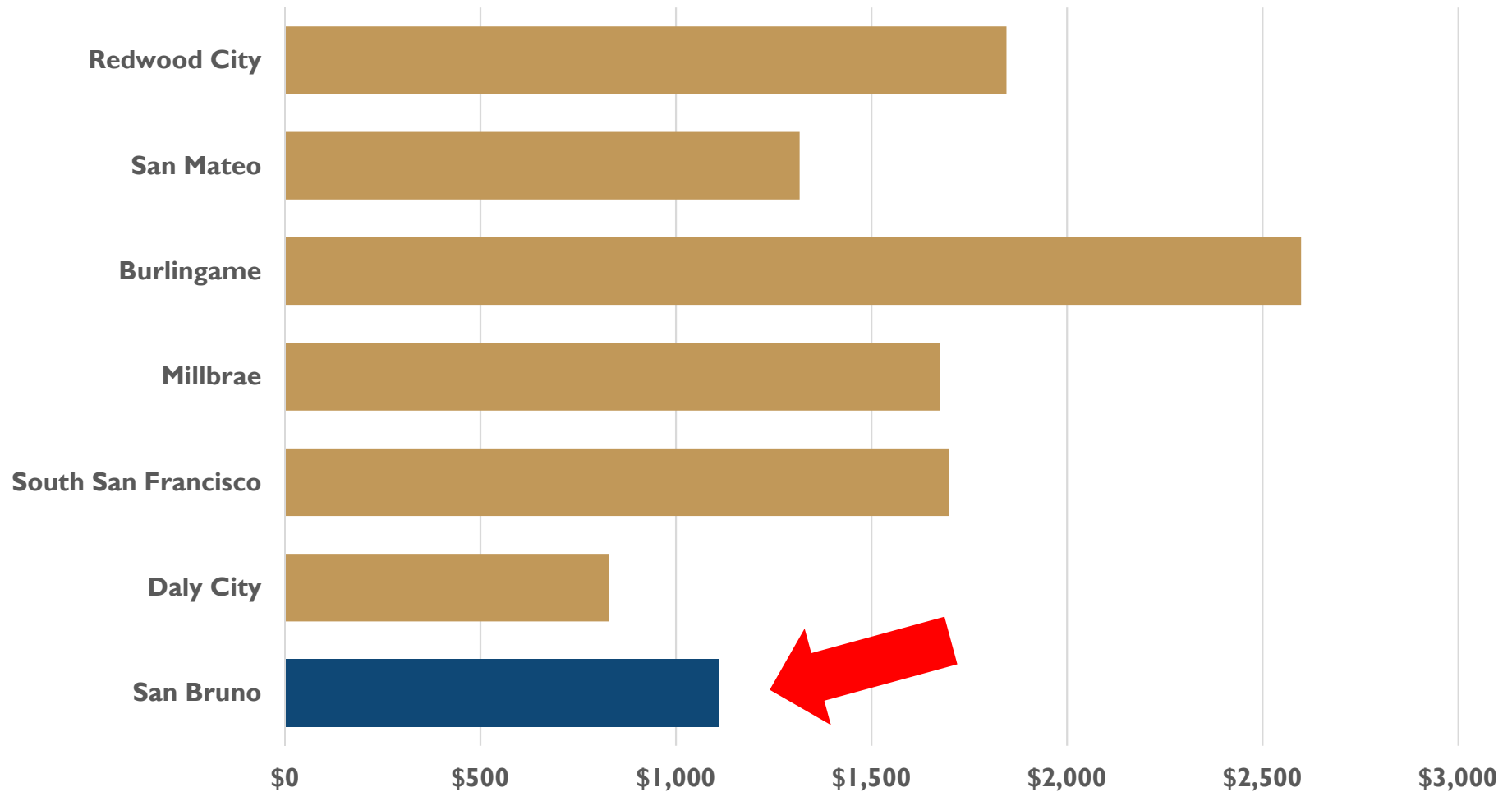


Source: City Adopted Budgets, FY2019-20

# General Fund Budget Revenue per Capita



Fiscal Year 2019-20



Source: City Adopted Budgets, FY2019-20

# No easy decisions...



## Difficult Options to resolve this year's fiscal challenge

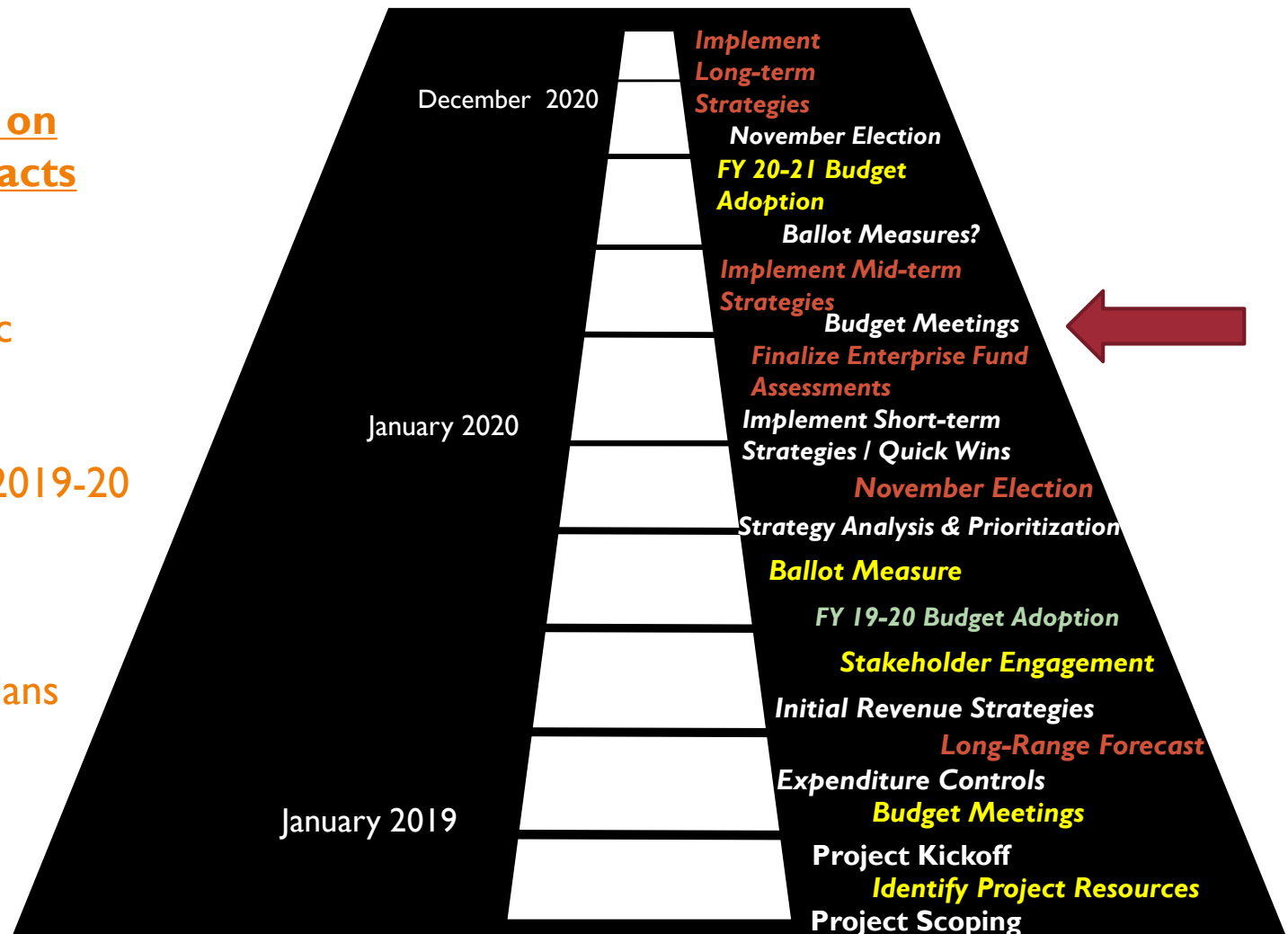
- ❑ Defunding capital projects
- ❑ Service reductions
- ❑ Use of limited reserves
- ❑ Reducing set asides for future equipment replacements
- ❑ Freezing 13 vacant (police, fire and non-sworn administrative/operating positions)
- ❑ Personnel reductions
- ❑ Use of Measure G and delaying some road improvements to avoid further service/personnel reductions
- ❑ Postponing progress on needed enhancements and unmet needs

# Comprehensive Fiscal Sustainability Project



## Amend Based on COVID-19 Impacts

- Analyze Current & Projected Economic Conditions
- Adjust Current FY2019-20 Budget
- Revise Budget Assumptions and Plans for FY2020-21



# Fiscal Sustainability



❖ Core component of Fiscal Sustainability is revenue growth

- ❑ Not to be confused with increased taxes
- ❑ Economic development is critical

Implementation of the Transit Corridors Plan & Economic Development

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Growing Our Revenue Base

# Economic Growth Potential: Residential, Retail, Office



Skyline Residential



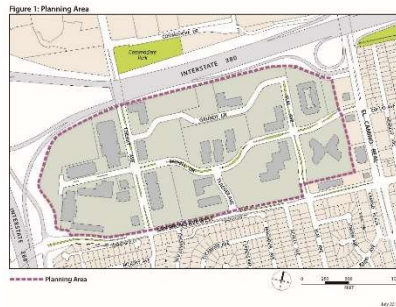
Glenview Terrace



Tanforan & Sears



Bayhill Specific Plan



Mills Park Plaza



1000 San Mateo Ave



111 San Bruno Ave



271 El Camino Real





# Economic Development @ Our Border



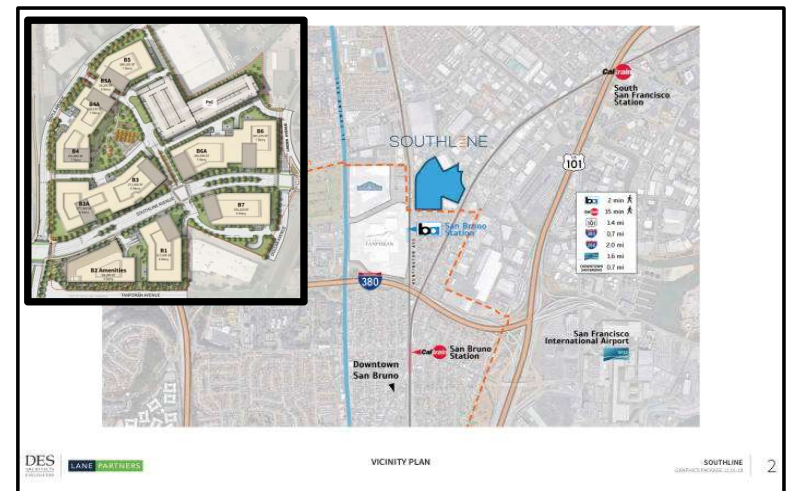
## South SF: 180 El Camino Real – Safeway Shopping Center



## South SF: 410 Noor Avenue – Mixed Use



## South SF: Southline Office Park



## Millbrae: 1100 El Camino Real – El Rancho Inn





### III. FY2020-21 Proposed General Fund Budget & Deficit Reduction Strategies

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# FY2020-21 Budget Overview



**\$180M All  
Fund Budget**

**\$49M  
General Fund  
Budget**

**265 FTE  
Positions**

**102 Capital  
Improvement  
Projects**

# Budget Challenges



- Existing Operational Deficit
  - Reduced General Fund taxes and departmental revenues related to economic contraction from COVID-19
- Significant backlog of deferred capital maintenance projects
  - \$6 million annual deficit in the City's road repair program
- Rising Personnel Benefit costs (Health insurance and pension costs)
- Expiring Collected Bargaining Agreements
- City Net Services Enterprise Fund Deficit
- Stormwater Enterprise Fund Challenges
- Needed Personnel Investment
- IT System Maintenance and Investments
- Equipment and Vehicle funding
- Pressure on Fund Balances and Reserves

# Projected FY2020-21 Deficit Summary



<b>General Fund</b>	<b>FY2020-21 Projected Deficit (Millions)</b>
Revenues	\$45.2
Expenditures	53.4
<b>Surplus / (Deficit)</b>	<b>(\$8.2)</b>

- ▲ Strategies to address both revenues and expenditures
- ▲ Additional strategies to ensure adequate fund balance



# FY2020-21 Revenue Shortfalls

## Impacts of COVID-19 Recession

- ❖ 40% Drop in Hotel Tax (TOT) Revenue
- ❖ 18% drop in Sales Tax Revenue
- ❖ 28% drop in new District “Measure G” Sales Tax Revenue
- ❖ 52% drop in Recreation revenues
- ❖ 28% drop in Senior Center revenues

# FY2020-21 Expenditure Changes



\$4M personnel cost increases + operating cost increases

- ❖ 75% of General Fund budget goes to personnel
- ❖ \$900K PERS pension cost increases
  - Normal bi-weekly cost
  - Annual portion of unfunded liability
- ❖ Health benefit costs
- ❖ Minor increases for supplies and contracts

# Budget Balancing Plan - Summary



Proposed Budget Balancing Strategies	FY2020-21 Proposed Reductions
CIP Project De-Funding, Alternative Funding or Scope Change	\$1,569,900
Delay filling 13 vacant positions in multiple departments	1,765,160
Personnel reduction of 1 Senior Code Enforcement Officer	158,130
Operating Expense Reductions	107,900
Eliminate Annual Equipment Reserve Allocation	340,600
Additional fund balance – transfer in from other funds	400,000
Utilize Measure G District Sales Tax Funds	2,000,000
Utilize General Fund Reserve	587,910
Utilize Available Fund Balance in the General Fund	500,000
Personnel Cost Reductions (various measures, subject to bargaining)	1,701,500
<b>Total</b>	<b>\$9,131,100</b>

# Budget Balancing Strategies



Initial FY2020-21 budget proposal estimated a **\$8.2 Million deficit**. Staff reviewed the following budget balancing strategies:

- Identify service level reductions
- Reduce the scope and/or defer capital investments
- Allow voluntary and/or mandatory time-off
- Citywide vacant position review
- Identify “shared” staff resources
- Reduce or delay equipment and vehicle purchases
- Utilize General Fund & Emergency Disaster Reserves to balance budget
- Reduce equipment reserve fund allocations
- Utilize Measure G District Sales Tax revenue
- Reopen discussions with employee bargaining groups
- Temporarily suspend Employee Home Loan Program
- Library Closure
- Brownouts – Fire Stations

# Budget Balancing Plan – CIP Projects



Budget Balancing Strategy	FY2020-21 Proposed Budget Reductions
Identify alternative funding for the Streetlight Pole Replacement Program	\$200,000
Identify alternative funding for the Police Dispatch and Records Ergonomic Update Project	72,000
Defund the Senior Center Parking Lot Improvements Project and research alternative funding sources	93,855
Defund the Crestmoor Canyon Slope Stability Project as the previously planned work was recently completed	274,821
Reduce the scope of the Florida Avenue Park project	900,000
Delay the stormwater trash capture device project	29,228
<b>Total</b>	<b>\$1,569,904</b>



# Budget Balancing Plan – Position Actions



Department	# of Positions	Action	Position(s)
Police	7	Vacancy	4 Police Officers, 1 Police Clerk, 1 Dispatcher, 1 Community Service Officer
Fire	2	Vacancy	2 Fire Fighters
Public Works	1	Vacancy	Associate/Assistant Civil Engineer
Community & Economic Development	2	Vacancy	1 Limited Term Assistant Planner, 1 Limited Term Community Development Technician
CityNet Services	1	Vacancy	CATV Technician 1
Police	1	Reduction	Senior Code Enforcement Officer
<b>Total</b>	<b>14</b>		

# Budget Balancing Plan – Operating Expenses



Department	Operating Expenses	FY2020-21 Proposed Budget Reductions
Police	Reduced background investigations, breach kits for patrol cards, emergency equipment, investigative services, training and uniforms	\$80,900
Fire	Reduced communications, fuel and oil, maintenance and software	27,000
	<b>Total</b>	<b>\$107,900</b>

# Budget Balancing Plan – Fund Transfers



Department	Funds Transfer	FY2020-21 Proposed Budget Reductions
Police	Equitable Sharing Funds for Drug Enforcement Agency (DEA) Airport staffing	\$200,000
Police	Utilize available Citizens Option for Public Safety (COPS) funding	100,000
Public Works	Utilize Gas Tax for Streets operating repairs	100,000
General Fund Departments	Utilize Measure G District Sales Tax Funds	2,000,000
	Utilize General Fund Reserve	587,910
	<b>Total</b>	<b>\$2,987,910</b>

# Service Reductions



- Reduced Community Services Program
  - No aquatics program
  - No after school program
  - Reduced Recreation activities
  - Reduced Senior Center activities
  - No events with large gatherings (i.e. Community Day)
- No new Police or other vehicle requests
- Multiple departmental operating reductions to balance the budget

# Organizational Changes



- ❖ Building & Custodial Division move from Community Services to Public Works
- ❖ Code Enforcement move from Community & Economic Development to Police
- ❖ Police Command Staff
- ❖ Information Technology move to CityNet Services

# The Good News, The Bad News & The Challenges Ahead...



## Good News

- Measure G
- Sufficient deficit reduction strategies identified
- Fiscal sustainability effort already started
- Development pipeline

## Bad News

- Declining fund balances
- Many unfunded priorities
- City Net Services Deficit
- Stormwater Deficit

## Challenges

- Union contracts to be negotiated
- Rising pension costs
- Sluggish economy from COVID-19 with reduced tax and other revenues



## IV. High-level Summary of Fiscal Condition and Financial Summaries

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# Fiscal Condition Summary



## General Fund

- \$8.2M initial deficit (15%)
- Balanced w/ implementation of proposed strategies
- Economic impacts of COVID expected for years to come
- Budget balancing strategies likely required in 5-year forecast to balance the budget
- Continued fiscal sustainability efforts to explore revenue enhancements
- Initial and ongoing revenue from development will ensure resources for public services and balancing the budget

## Reserves

- Reserve targets expected to be met by end of FY2019-20
- The use of General Fund reserves are proposed in FY2020-21 in order to balance the budget – falling below the policy target
- CityNet Services deficit significantly reduces available cash in reserves that can be used

## Measure G

- Will be a vital revenue source for maintaining and enhancing critical services for years to come
- Without the use of Measure G in FY2020-21 for supporting existing services, the budget would likely propose significantly reducing services



# Fiscal Condition – Enterprise Funds



## Water & Wastewater

- Fiscally healthy funds
- Adequate revenues from 5-year planned rate increases through FY2021-22
- Adequate balances to invest in robust capital improvement program

## Stormwater

- \$46 annual property tax assessment
- Revenue is inadequate to fund requirement maintenance and legal requirements
- No funding for capital projects
- Must revisit property tax assessment for ongoing revenue

## CityNet Services

- Substantial improvement in FY2019-20 to reduce expenditures and budget deficit
- Recent rate increases due to on-going, rising programming costs
- No funding for citywide Fiber
- Burden on General Fund

# Fiscal Condition – Internal Service & CIP



## Internal Service & Equipment Reserve

- Central Garage, Building and Facilities and Technology funds meet minimum reserve targets
- Inadequate funds for equipment and vehicle purchases and other enhancements
- Inadequate contribution into equipment reserve fund
- Inadequate equipment reserve fund balance for equipment and vehicle purchases

## Self-Insurance

- Worker's Compensation, General Liability and Unemployment Insurance coverage
- The City is self-insured for Worker's Comp for first \$750K
- Proposed FY2020-21 budget increased fund balance to \$500K
- Inadequate funds available to cover potential insurance needs

## Capital Improvement Program

- Water & Wastewater projects leverage 2017 debt proceeds
- Many underfunded and unfunded priority projects
- Leverages Federal, State and Local funding sources to fullest extent
- Proposed FY2020-21 budget defunds multiple projects in order to balance the budget



## V. General Fund - Financial Summary

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# Long Range Financial Plan Overview

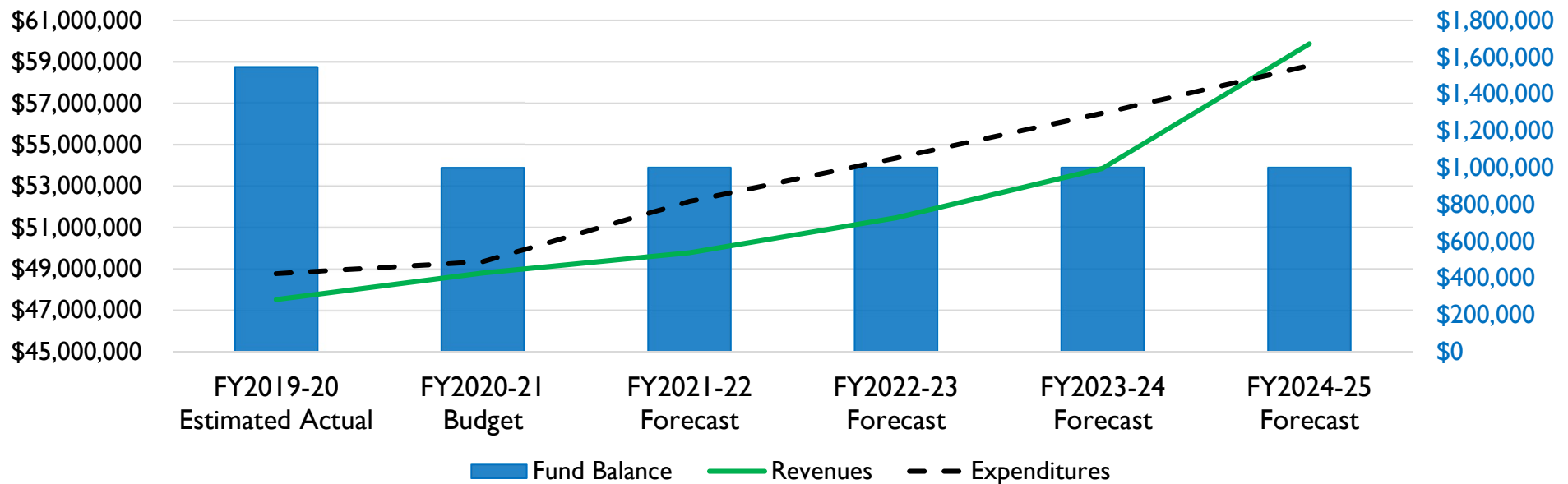


- Why it's important!
  - Fiscally conservative and prudent practice
  - Provides context for evaluating budget decisions
- Major funds
  - General Fund (including Capital Reserve)
  - Enterprise Funds (Water, Wastewater, Stormwater & CityNet Services)
- Assumptions
  - Prior year actual and budget changes
  - Future rate and policy assumptions
  - Economic development assumptions for revenue and service delivery

# General Fund Long Range Financial Plan



## Long-Range Financial Forecast General Fund



- Projected decline in major tax/revenue sources, then flattening out
- Conservative assumption for development projects
- 3-5% personnel cost increases
- No significant service level changes
- Assumes funding reductions required in each year to balance the budget

# General Fund Summary

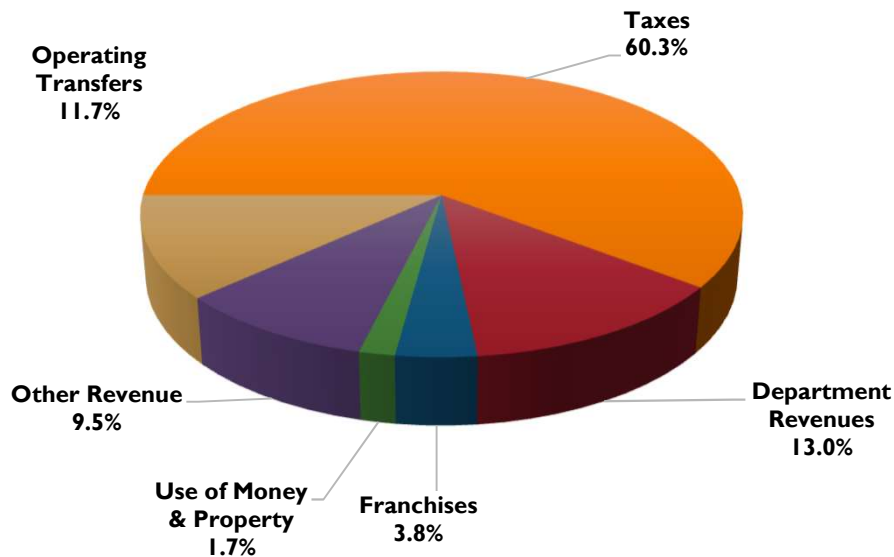


	<b>FY2019-20 Adopted Budget</b>	<b>FY2019-20 Estimated Actual</b>	<b>FY2020-21 Proposed Budget</b>
Beginning Fund Balance	<b>\$2,798,305</b>	<b>\$2,798,305</b>	<b>\$1,547,510</b>
Total Operating Revenues	50,111,247	47,522,730	48,805,458
Total Operating Expenditures	(50,436,351)	(48,773,525)	(49,352,968)
Surplus / (Deficit)	(325,103)	(1,250,795)	(547,510)
Ending Fund Balance	<b>\$2,473,202</b>	<b>\$1,547,510</b>	<b>\$1,000,000</b>

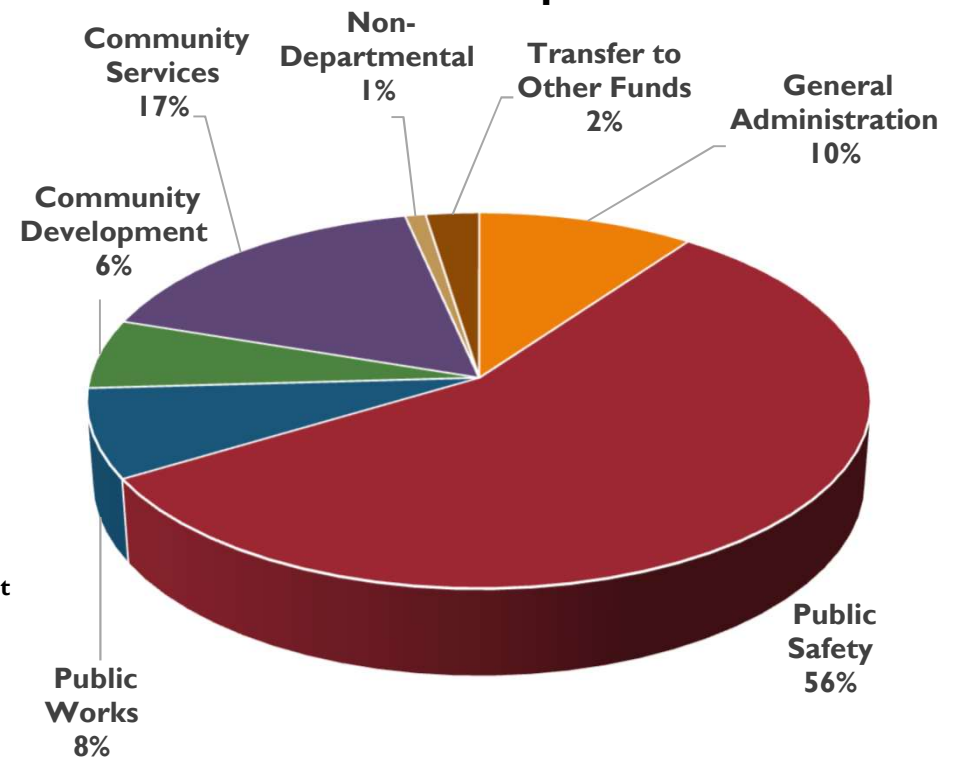
# General Fund Summary



## General Fund Revenues



## General Fund Expenditures





## VI. General Fund - Revenues

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# General Fund Revenues



Revenue Source	FY2019-20 Amended Budget	FY2019-20 Estimated Actual	FY2020-21 Proposed Budget	% Change in Budget
Taxes	\$33,097,802	\$30,492,255	\$29,450,830	-11%
Franchises	1,903,000	1,855,560	1,871,561	-2%
Use of Money & Property	961,691	1,022,647	827,837	-14%
Allocation & Other Revenues	8,140,719	8,546,481	10,318,228	27%
Department Revenues	8,803,119	5,605,787	6,337,002	-28%
Total	\$52,906,331	\$47,522,730	\$48,805,458	-8%

# General Fund Tax Revenues

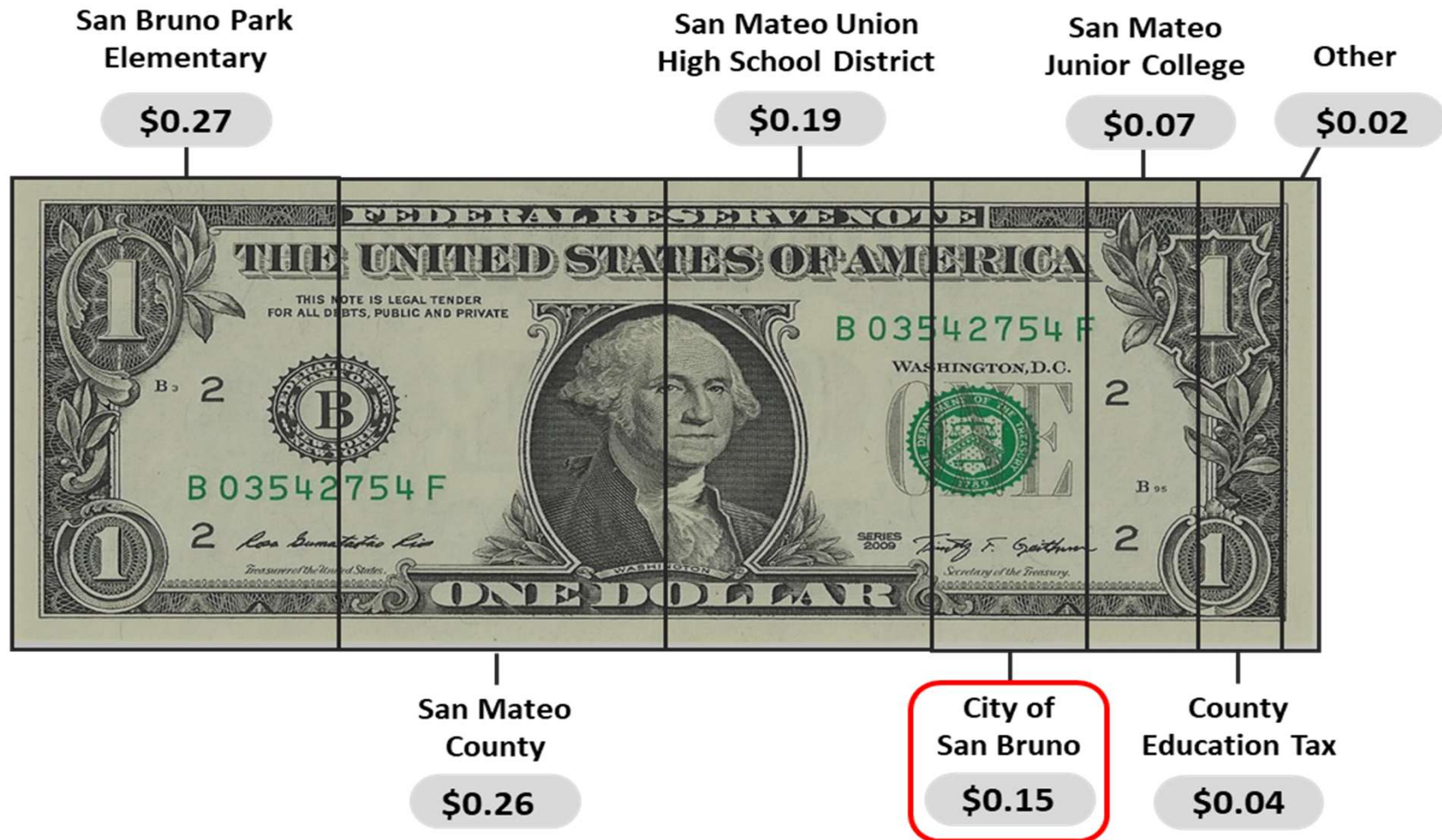


Revenue Source	FY2019-20 Amended Budget	FY2019-20 Estimated Actual	FY2020-21 Proposed Budget	% Change in Budget
Property Tax	\$11,926,360	\$11,913,590	\$12,111,481	2%
Sales Tax	7,897,000	6,780,059	6,468,926	-18%
Transient Occupancy Tax	3,540,275	2,902,300	2,125,467	-40%
Vehicle License Fees	5,202,000	5,013,326	4,958,046	-5%
Regulatory Cardroom Fee	1,960,147	1,974,980	2,006,000	2%
Business License Tax	2,577,020	1,908,000	1,780,910	-31%
Total	\$33,097,802	\$30,492,255	\$29,450,830	-11%

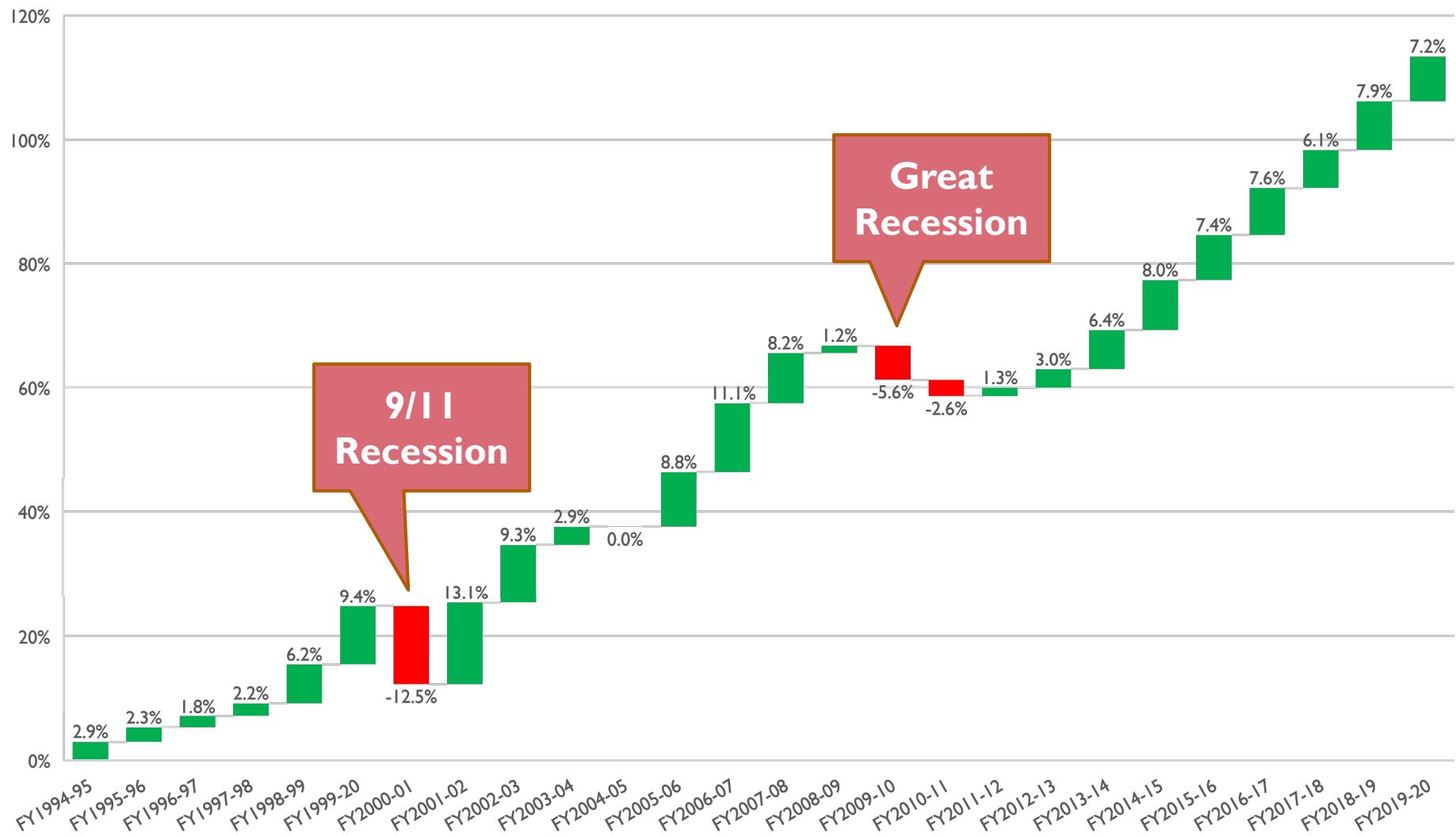
# Property Tax Breakdown



## Your Property Tax Dollar



# San Bruno Assessed Value Annual Change



Source: San Mateo County Assessor, FY2019-20 Combined Tax Rolls

# Sales Tax Example



## Sample Sales Tax Eligible Purchase in San Bruno

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Sub-total	\$75.00
Sales Tax (9.75%)	\$7.31
Total Sale	\$82.31

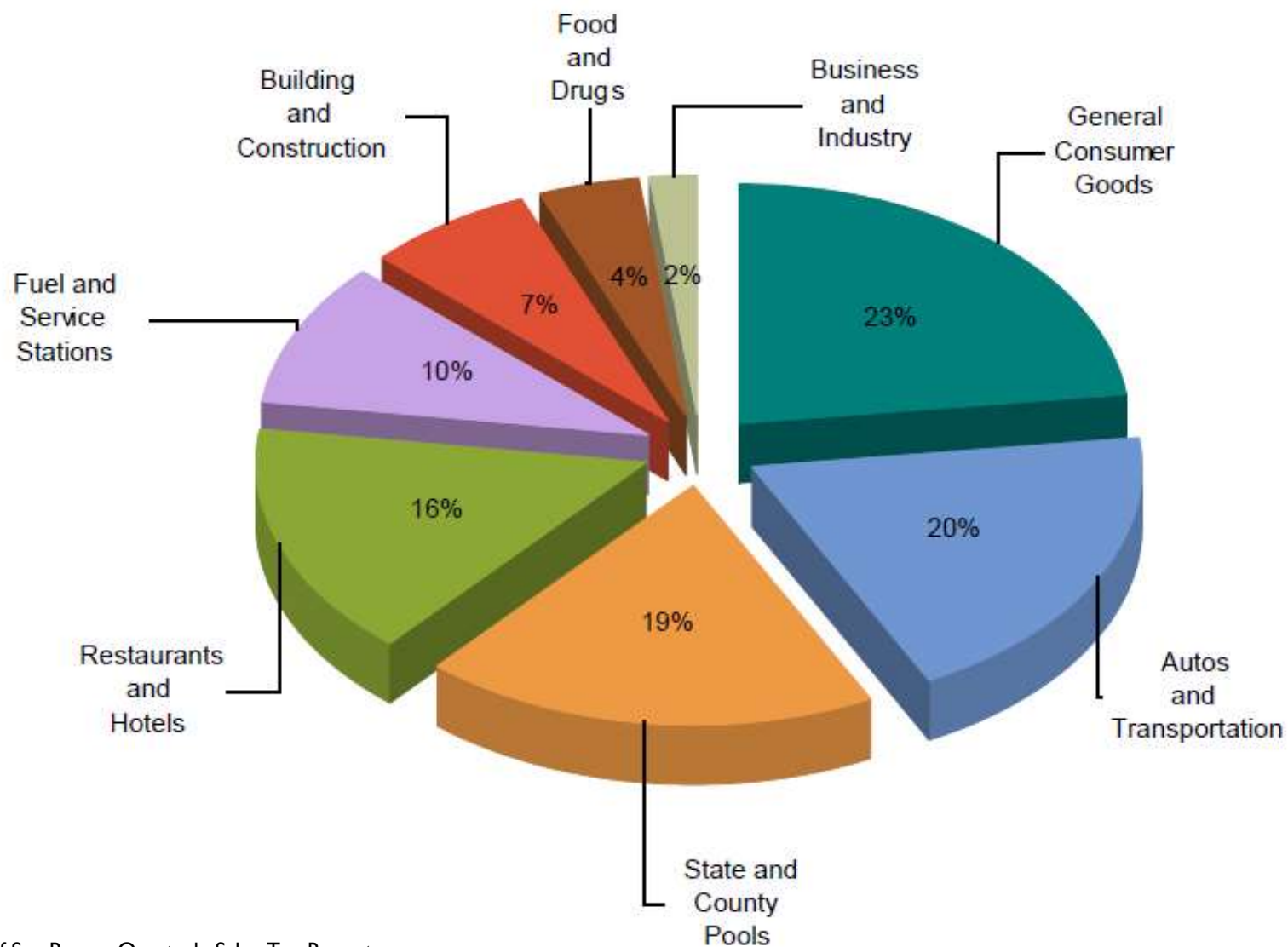
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**\*Includes Measure G District  
Sales Tax of 0.50%**

### Sales Tax Paid: \$7.31

- State of California \$4.53 (62%)
- County/Districts \$1.68 (23%)
- **City of San Bruno \$1.10 (15%)**

# Sales Tax Revenue through Q3 CY2019



Source: City of San Bruno, Quarterly Sales Tax Report

# California Sales Tax Revenue Projections



Industry	Q1 CY2020 % Change from Q1 CY2019	Q2 CY2020 % Change from Q2 CY2019	FY2020-21 Projection % Change from FY2019-20
Auto & Transportation	-12.0%	-55.0%	-6.3%
Building & Construction	-7.0%	-40.0%	-0.1%
Business & Industry	-15.0%	-30.0%	-5.4%
Food & Drugs	5.0%	5.0%	2.0%
Fuel & Service Stations	-10.0%	-50.0%	0.0%
General Consumer Goods	-15.0%	-45.0%	-2.5%
Restaurants & Hotels	-10.0%	-60.0%	-6.5%
State & County Pools	15.0%	10.0%	7.3%



# Transient Occupancy Tax



Staybridge Suites, 94



Courtyard by Marriot,  
147



Ramada Limited, 58

Ritz Inn, 23

Regency Inn, 32

Super 8 Motel, 54

Bayhill Inn, 24

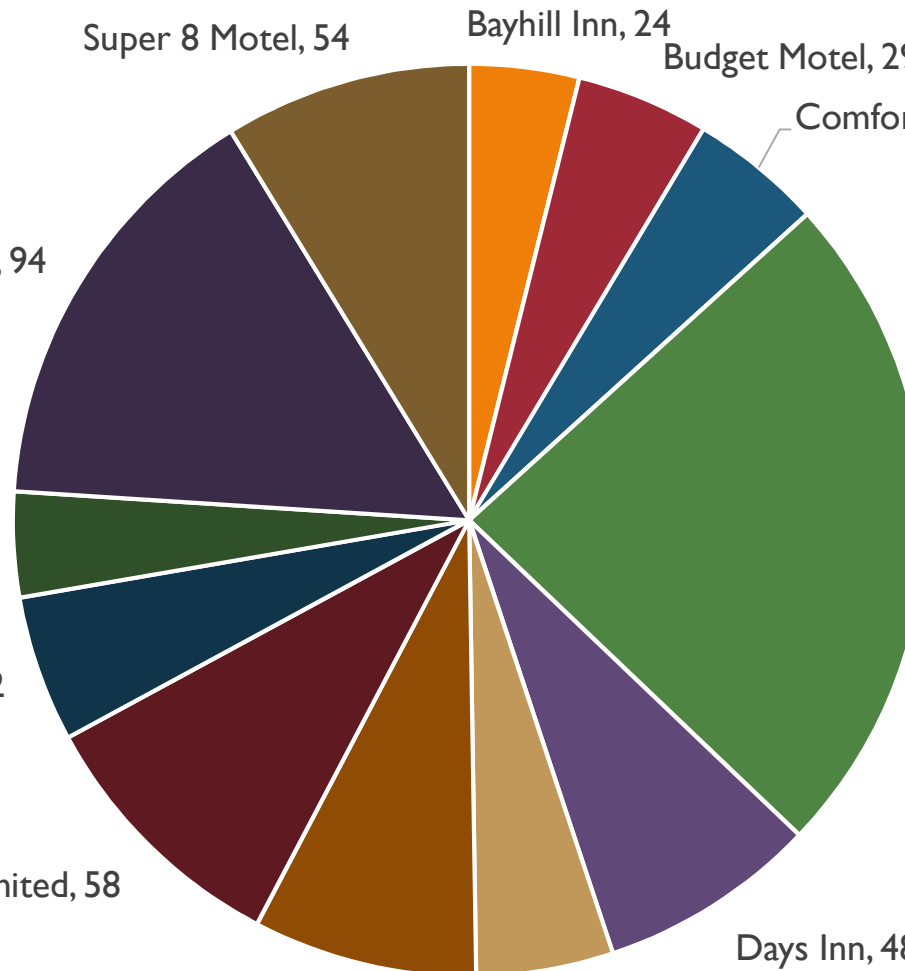
Budget Motel, 29

Comfort Inn & Suite,  
29

Days Inn, 48

Gateway Inn, 30

Howard Johnson  
(Hotel Aura), 49





# Transient Occupancy Tax



- ❖ San Mateo County cities are projecting between 10-75% reduction in FY2020-21
  - Staff are proposing a **40%** reduction based on the smaller mix of hotel operators compared to other cities
- ❖ Industry experts expect 75-90% occupancy decline starting in March through May
- ❖ Projecting nearly no occupancy in San Bruno hotels in April and May
- ❖ Slow gradual ramp-up in June into July through most of FY2020-21
- ❖ Significant business travel reductions may have long-lasting implications for TOT revenue
- ❖ San Bruno TOT is 12%, lower than some neighboring cities in San Mateo County
- ❖ Supporting local businesses and residents through recovery continues to be a priority for the City

# Business License Tax



- ❖ Majority of tax revenue is received during the first month of the fiscal year for the annual renewal
- ❖ Projected reduction in FY2020-21 from temporary or permanently closed businesses with lower gross receipts
- ❖ Assume majority of businesses will have lower activity, but 10% of them will experienced increased activity
- ❖ Projected decline in FY2020-21 to be **31%** compared to FY2019-20 budget
- ❖ Assumed no Airport Parking Facility Tax
- ❖ Supporting local businesses and residents through recovery continues to be a priority for the City



## VII. Revenue Enhancement Strategies

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# Enhance Locally-Controlled Revenue



- **Completed**
  - Development Impact Fee Program
  - Measure G District Sales Tax
  - Utility Billing Process Improvements
- **In Progress/Discussion**
  - Fee Study & Indirect Cost Plan
  - Capturing locally-controlled revenue
  - Short-term rentals

# Development Impact Fee Program



- Program took effect on May 1, 2019
- A one-time fee on new development to pay for new infrastructure improvements required to serve growth
- Pay for public facilities and infrastructure needed to accommodate growth in the City
- Approximately \$110K collected so far
- Significant fees projected with future large development projects



# Measure G District Sales Tax

- Half cent sales tax district measure (9.75%)
- Effective April 1, 2020
- Citizen's Revenue Measure Oversight Committee
- Initially projected @ \$4 Million annually
  - FY2019-20: partial collection April-June, \$1 Million projected, **not budgeted**
  - Significant reduction in retail activity due to Shelter In Place Order
- **FY2019-20 Revised Projection: \$150,000** (down \$850,000)
- **FY2020-21 Projection - \$2.9M**

# Measure G – Proposed Uses in FY2020-21



Item	FY2020-21 Proposed Budget
General Fund Transfer to Avoid Further Cuts to Fund Police, Fire and Park Maintenance	\$2,000,000
Street Sign Replacement Program	150,000
Parks Manager Enhancement Request ( <i>cost increase from position reclassification</i> )	44,000
Police Facility HVAC Replacement & Roof Repair	205,000
Street Light Pole Replacement Program	200,000
<b>Total</b>	<b>\$2,599,000</b>
<b><i>Projected Ending Fund Balance FY2020-21</i></b>	<b><i>\$462,017</i></b>



# Master Fee Schedule

- Presented to the City Council along with the proposed budget
- No requested changes proposed at this time
- Future Updates
  - Comprehensive fee study will address many outdated fees
  - Recent request to review fines
  - Fire Department - fee proposal for a revised calculation for the general fire & life safety fees to be collected during development commercial & multi-family residential projects
  - Building Division – significant updates



# User Fee Study



- Objectives & Considerations
  - Develop a rational basis for setting fees
  - Understand total costs of providing services
  - Identify subsidy amounts, if applicable
  - Maintain consistency with local policy and objectives, and compliance with state law
  - Develop updatable, comprehensive list of fees
  - Set fees at optimal cost recovery
  - Set new fees where appropriate & discontinue outdated fees
  - Implement an inflationary adjustment annually to keep pace with standard cost increases
  - Establish a fully-loaded, department hourly rate

# Fees & Cost Recovery - Department



Department	Number of Fees	Current Cost Recovery Percent of Program Costs	Average City Cost Recovery – Post User Fee Study
Building	106	28% ←	90-100%
City Clerk	5	100%	100%
CityNet Services	7	100%	100%
Finance	13	26%	70-90%
Fire	94	65%	60-90%
Library	26	77%	30-50%
Parks & Recreation	309	66%	40-60%
Planning	60	18% ←	80-90%
Police	43	52%	70-90%
Public Works	47	74%	70-90%
<b>Total</b>	<b>710</b>		

# Community Priorities Survey – COVID-19



- March 2020 community priorities survey to residents
  - 625 respondents, including 354 homeowner respondents
- 65.4% of respondents are satisfied with the job the City and State are doing to address the impacts of COVID-19
- 63.9% of respondents are satisfied with the job the City is doing to provide community services
- Largest problem facing the City
  - Coronavirus response and recovery needs
  - And many others

# Community Priorities Survey – COVID-19



- Resident-identified priorities for COVID-19 and recovery
  - Maintaining street repair programs & maintaining jobs
  - Supporting families and residents in financial transition
  - Expanding services to support local businesses as they recover
  - Maintaining neighborhood police patrols for safety
- Many of the programs which address community priorities are at risk of cuts due to lack of local revenue

# Potential Revenue Measure

## November 2020 Ballot



- Current Transient Occupancy Tax (TOT) rate for San Bruno hotel operators is 12%
- Voters in many cities have voted to approve rate increase to 14%
- Projected to generate up to \$500,000 annually (pre-COVID)
  - \$360,000 if new rate were in effect for FY2020-21
- March 2020 Community Priorities Survey
  - 625 survey responses
  - 62.1% favor a TOT rate increase

# Stormwater System Needs



- Stormwater Special Assessment
  - Current funding through a special assessment on property tax bill
  - Most pay \$46.16 annually
  - Revenue is only enough to cover 49% of operating expense in FY2020-21
  - Projected negative fund balance in FY2020-21
  - Stormwater capital improvements funded through the General Fund
  - Given shortfall, the City is currently unable to address repairs and upgrades needed to protect water quality
- March 2020 Community Priorities Survey
  - 354 surveys completed of homeowners
  - More than 64% expressed the important of maintaining the City's storm drains and protect water quality



## VIII. Questions and Discussion

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# Projected FY2020-21 Deficit Summary



<b>General Fund</b>	<b>FY2020-21 Projected Deficit (Millions)</b>
Revenues	\$45.2
Expenditures	53.4
<b>Surplus / (Deficit)</b>	<b>(\$8.2)</b>

- ▲ Strategies to address both revenues and expenditures
- ▲ Additional strategies to ensure adequate fund balance



# Questions and Discussion

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# Budget Balancing Plan - Summary



Proposed Budget Balancing Strategies	FY2020-21 Proposed Reductions
CIP Project De-Funding, Alternative Funding or Scope Change	\$1,569,900
Delay filling 13 vacant positions in multiple departments	1,765,160
Personnel reduction of 1 Senior Code Enforcement Officer	158,130
Operating Expense Reductions	107,900
Eliminate Annual Equipment Reserve Allocation	340,600
Additional fund balance – transfer in from other funds	400,000
Utilize Measure G District Sales Tax Funds	2,000,000
Utilize General Fund Reserve	587,910
Utilize Available Fund Balance in the General Fund	500,000
Personnel Cost Reductions (various measures, subject to bargaining)	1,701,500
<b>Total</b>	<b>\$9,131,100</b>